

**Financial Statements of the
HOUSING AUTHORITY OF
CARBON COUNTY
Price, Utah
For the year ended March 31, 2006
Including
Independent Auditor's Reports,
Management's Discussion and Analysis, and
Supplemental Information**

Housing Authority of Carbon County

Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	2 - 6
Basic Financial Statements	
Combined Statement of Net Assets	7
Combined Statement of Revenues, Expenditures, and Changes In Net Assets	8
Combined Statement of Cash Flows	9
Notes to Financial Statements	10 - 15
Supplemental Information	
Combining Statement of Net Assets – Schedule 1	17
Combining Statement of Revenues, Expenditures, and Changes in Net Assets – Schedule 2	18
Report on Internal Control over Financial Reporting and on compliance and other matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	21 - 22
Schedule of Expenditures of Federal Awards	23
Status of Findings and Questioned Costs	24
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Audit Findings	26 - 27
Auditor's Report on Utah State Legal Compliance	28

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of Carbon County
Price, Utah

We have audited the accompanying statements of fund net assets of the Housing Authority of Carbon County (the Authority), as of and for the year ended March 31, 2006, and the related statement of revenue, expenses and changes in fund net assets and statement of cash flows for the year then ended, which collectively comprise the Authority's basic financial statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The accompanying Financial Data Schedules, included on Schedules 1 and 2 listed in the table of contents, are not a required part of the basic financial statements, but are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Baird, Rasmussen & Associates, PC

Baird, Rasmussen & Associates, P.C.
Bountiful, Utah
July 17, 2006

**Housing Authority of Carbon County
Management's Discussion and Analysis (MD&A)
Year Ended March 31, 2006**

INTRODUCTION

The Housing Authority of Carbon County (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Carbon County area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and Rural Development (RD), and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the County Commissioners of Carbon County. The Board, in turn, elects a chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2006 (FY2006), to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*, issued June 1999.

The Authority's FY2006 annual financial report consists of two parts:

- The management's discussion and analysis;
- The basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related our basic financial statements.

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2006 report on all of the authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority decreased \$19,349 as of March 31, 2005, from the prior year.
- Operating revenues of the Authority decreased by \$84,818 over prior year results.
- The increase in cash and cash equivalents for the year was \$9,629.

**Housing Authority of Carbon County
Management's Discussion and Analysis (MD&A) (continued)
Year Ended March 31, 2006**

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2006 discussion and analysis based on the financial results of its programs in three basic financial statements – the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The balance sheet reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets, formerly known as fund equity. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The statement of revenues, expenses and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents five different programs and activities. Most of these programs are financed by federal grants from HUD and RD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2006 the following programs make up a majority of the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Rural Rental Housing Loans and Assistance Programs* – These programs are funded by RD and provide funds for the purchase of rental property and subsidy for low- and moderate-income families seeking housing.
- *Public Housing Low Rent* – This program is funded by HUD and is a subsidy rent program for low – and moderate-income families seeking housing.

**Housing Authority of Carbon County
Management's Discussion and Analysis (MD&A) (continued)
Year Ended March 31, 2006**

- *Public Housing Capital Funds* – This program is funded by HUD and provides funds for the maintaining of rental property owned and operated by the Authority for the purpose of offering housing to low – and moderate-income families.

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

**Housing Authority of Carbon County
Balance Sheet**

	2006	2005	Total Percentage Change
Current assets	\$ 444,472	\$ 446,427	-0.4%
Restricted deposits	19,686	20,017	-1.7%
Fixed assets, net of depreciation	6,225,510	6,215,637	0.2%
Other Assets	16,700	-	100.0%
Total assets	6,706,368	6,682,081	0.4%
Current liabilities	102,284	46,051	122.1%
Deposits and prepaid liabilities	20,247	19,664	3.0%
Noncurrent liabilities	421,406	434,586	-3.0%
Total liabilities	543,937	500,301	8.7%
Net assets			
Investment in capital assets	5,820,805	5,767,927	0.9%
Unrestricted net assets	341,626	413,853	-17.5%
Total net assets	\$ 6,162,431	\$ 6,181,780	-0.3%

The Authority's total assets at March 31, 2006 were \$6,706,368, an increase of \$24,287, or .4% from March 31, 2005.

Cash and Cash Equivalents

Total cash and cash equivalents increased by \$9,629, or 2.7% as of March 31, 2006 compared to March 31, 2005.

Accounts Payable, Accrued Liabilities and Deferred Revenue

Total accounts payable and accrued liabilities decreased by \$1,061, or 3.2% as of March 31, 2006 compared to March 31, 2005. Deferred revenue increased by \$55,041 as of March 31, 2006, which was due to the overpayment of HUD's Section 8 Housing administrative payments during FY2006.

Housing Authority of Carbon County
Management's Discussion and Analysis (MD&A) (continued)
Year Ended March 31, 2006

Net Assets

The Authority's net assets decreased by \$19,349 during FY2006. At March 31, 2006, investments in capital assets comprised 94.5% of the Authority's total assets, while these assets carry related current and long-term debt of approximately \$434,661, which is approximately 79.9% of its total liabilities.

Revenues, Expenses and Changes in Net Assets

The results of operations for the Authority are presented below:

Housing Authority of Carbon County
Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	Increase/(Decrease)	
			Amount	Percentage
Operating revenues:				
Tenant rental revenues	\$ 287,224	\$ 238,299	\$ 48,925	20.5%
HUD operating grants	1,201,617	1,300,531	(98,914)	-7.6%
HUD capital grants	254,252	253,699	553	0.2%
Other governmental grants	-	19,303	(19,303)	-100.0%
Rental assistance	31,734	52,540	(20,806)	-39.6%
Interest subsidy	48,862	48,135	727	1.5%
Other income	80,566	76,566	4,000	5.2%
Total operating revenues	1,904,255	1,989,073	(84,818)	-4.3%
Operating expenses:				
Administration	384,979	388,463	(3,484)	-0.9%
Utilities	134,406	105,589	28,817	27.3%
Operating and maintenance	273,410	329,120	(55,710)	-16.9%
General	101,286	51,658	49,628	96.1%
Housing assistance payments	802,357	858,539	(56,182)	-6.5%
Depreciation	177,120	186,202	(9,082)	-4.9%
Total operating expenses	1,873,558	1,919,571	(46,013)	-2.4%
Operating income	30,697	69,502	(38,805)	-55.8%
Nonoperating revenues(expenses):				
Interest income	3,314	298	3,016	1012.1%
Interest expense	(53,360)	(52,599)	(761)	1.4%
Nonoperating (expenses), net	(50,046)	(52,301)	2,255	-4.3%
Change in net assets	\$ (19,349)	\$ 17,201	(36,550)	-212.5%

Housing Authority of Carbon County
Management's Discussion and Analysis (MD&A) (continued)
Year Ended March 31, 2006

Operating revenues of the Authority's activities are generated principally from HUD operating grants. In FY2006, the Authority's revenues for its activities totaled \$1,904,255. Of this total, \$1,201,617, or about 63.1%, is from HUD operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$1,873,558, of which \$802,357, or about 42.8%, was housing assistance payments.

CAPITAL ASSETS

The Authority's net capital assets as of March 31, 2006, included land, buildings, and furniture and equipment that totaled \$6,225,510, most of which is comprised of rental units available for lease to low – and moderate-income residents. Fixed assets, net of depreciation, increased \$9,314 from the preceding year.

	2006	2005	Change
Land	\$ 633,302	\$ 623,370	\$ 9,932
Buildings	8,131,320	8,221,796	(90,476)
Furniture, equipment and machinery- dwellings	98,348	98,348	-
Furniture, equipment and machinery- administration	320,222	316,991	3,231
Construction in progress	-	3,970	(3,970)
Accumulated depreciation	(2,957,682)	(3,048,838)	90,597
Total	<u>\$ 6,225,510</u>	<u>\$ 6,215,637</u>	<u>\$ 9,314</u>

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Housing Authority of Carbon County, 251 South 1600 East, Price, Utah 84501, (435) 637-5170.

**HOUSING AUTHORITY OF
CARBON COUNTY**
Combined Statement of Net Assets
March 31, 2006

ASSETS	<u>2006</u>
Current Assets:	
Cash - unrestricted	\$ 367,427
Accounts Receivable - Other	10,068
Inventory	38,519
Prepaid expenses	28,458
Total Current Assets	<u>444,472</u>
Restricted Assets:	
Cash - tenants' security deposits	19,686
Total Restricted Assets	<u>19,686</u>
Noncurrent Assets:	
Capital Assets	
Land	633,302
Buildings and Improvements	8,131,320
Furniture and equipment	418,570
Total Capital Assets	<u>9,183,192</u>
Less: Accumulated Depreciation	(2,957,682)
Net Capital Assets	<u>6,225,510</u>
Other Assets	
Other Assets	16,700
Total Non-Current Assets	<u>6,242,210</u>
TOTAL ASSETS	<u>6,706,368</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	15,186
Tenant Security Deposits	20,247
Accrued Liabilities	18,802
Deferred Revenue	55,041
Current Portion of Long-Term Debt	13,255
Total Current Liabilities	<u>122,531</u>
Noncurrent Liabilities:	
Loan Liability - non current	421,406
Total Noncurrent Liabilities	<u>421,406</u>
TOTAL LIABILITIES	<u>543,937</u>
 NET ASSETS	
Invested in capital assets, net of related debt	5,790,849
Unrestricted net assets	371,582
TOTAL NET ASSETS	<u>\$ 6,162,431</u>

**HOUSING AUTHORITY OF
CARBON COUNTY**
**Combined Statement of Revenues, Expenditures,
and Changes in Net Assets**
For The Year Ended March 31, 2006

	<u>2006</u>
OPERATING REVENUES	
Federal Subsidies	\$ 1,536,465
Rents	287,793
Other	79,997
Total Operating Revenues	<u>1,904,255</u>
OPERATING EXPENSES	
Administrative	384,979
Tenant Services	2,543
Utilities	134,406
Ordinary Maintenance and Operations	273,410
General	98,743
Housing Assistance Payments	802,357
Depreciation	177,120
Total Operating Expenses	<u>1,873,558</u>
Income From Operations	<u>30,697</u>
Nonoperating Income (Expenses)	
Interest Income	3,314
Interest Expense	(53,360)
Total Nonoperating Income (Expenses)	<u>(50,046)</u>
Net Loss	(19,349)
Net assets at beginning of year	6,181,780
Net assets at end of year	<u><u>\$ 6,162,431</u></u>

**HOUSING AUTHORITY OF
CARBON COUNTY
Combined Statement of Cash Flows
For The Year Ended March 31, 2006**

Cash Flows From Operating Activities	2006
Federal subsidies receipts	\$ 1,544,120
Rents received	295,237
Other receipts	79,997
Cash paid for administrative services	(399,104)
Cash paid for tenant services	(2,543)
Cash paid for utilities	(134,406)
Cash paid for ordinary maintenance and operations	(278,026)
Cash paid for general and other expenses	(27,415)
Cash received for tenant security deposits	914
Cash paid for housing assistance	(802,357)
Net Cash Provided By Operating Activities	<u>276,417</u>
Cash Flows From Capital Financing Activities	
Acquisition of Capital Assets	(186,993)
Acquisition of Other Assets	(16,700)
Retirement of Long-Term Debt	(13,049)
Interest on Long-Term Debt	(53,360)
Net Cash Used In Capital Financing Activities	<u>(270,102)</u>
Cash Flows From Investing Activities	
Interest on Investments	3,314
Net Cash Provided By Investing Activities	<u>3,314</u>
Net Increase in Cash and Cash Equivalents	9,629
Cash and Cash Equivalents at March 31, 2005	357,798
Cash and Cash Equivalents at March 31, 2006	<u>\$ 367,427</u>
Reconciliation of operating income to net cash used by operating activities:	
Income From Operations	\$ 30,697
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	177,120
(Increase) Decrease in:	
Accounts Receivable - HUD	7,655
Accounts Receivable - Other	7,444
Inventory	(4,616)
Prepaid expenses	1,101
Security Deposits	331
Increase (Decrease) in:	
Accounts Payable	15,186
Tenant Security Deposits	583
Accrued Liabilities	(14,125)
Deferred Revenue	55,041
Net Cash Provided By Operating Activities	<u>\$ 276,417</u>

**HOUSING AUTHORITY OF
CARBON COUNTY**
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND HISTORY

The Housing Authority of Carbon County (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Price, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and U.S.D.A. Rural Development (RD), and pass through awards through other state and local government agencies.

FINANCIAL REPORTING MODEL

The Authority has implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The significant changes to these statements are as follows:

1. Presentation of management's discussion and analysis.
2. The term retained earnings is replaced by net assets.
3. The statement of cash flows is presented on the direct method.

FINANCIAL REPORTING ENTITY

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, "The Financial Reporting Entity", which describes those entities which are considered component units for financial reporting purposes. Management of the Authority and Carbon County have determined that the Authority is not a component unit of the County, or any other government entity under the criteria of GASB Statement No. 14.

INTER-FUND TRANSACTIONS

Inter-fund payables and receivables as of March 31, 2006 totaling \$52,402 have been eliminated from the combined balance sheet.

BASIS OF PRESENTATION – FUND ACCOUNTING

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which appropriations, grants or contracts for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

In accordance with HUD prescribed accounting practices, the Authority has adopted the Statement of Government Accounting Standards (SGAS) No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

BASIS OF ACCOUNTING

The Authority prepares its basic financial statements using the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. The accrual basis of accounting recognizes revenues at the time they are earned. Expenditures are recorded when incurred.

**HOUSING AUTHORITY OF
CARBON COUNTY
Notes to Financial Statements
March 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Cash and cash equivalents at March 31, 2006 consist of cash on hand, demand deposits and savings deposits. Restricted deposits are not considered cash equivalents due to their restrictions as to availability and use in operations.

FIXED ASSETS

Fixed assets are carried at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of 3 - 40 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and improvements are capitalized.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEFERRED REVENUE

Deferred revenue consists of federal subsidies earned after April 1, 2006 that were received by the Authority on or before March 31, 2006.

ACCRUED COMPENSATED ABSENCES

The balance of accrued liabilities at March 31, 2006, of \$18,802 includes current accrued compensated absences totaling \$10,979.

NOTE 2 – DEPOSITS

Deposits for the Authority are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the ACT") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Authority's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial Credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of March 31, 2006, \$28,025 of the Authority's bank balances of \$427,371 were uninsured and uncollateralized.

**HOUSING AUTHORITY OF
CARBON COUNTY**
Notes to Financial Statements
March 31, 2006

NOTE 2 – DEPOSITS - CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity of all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, fixed rate corporate obligations, to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. Rule 2 of the Utah Money Management Council does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed.

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's policy for reducing this risk of loss is to comply with the rules of the Council. No more than 5 percent of all funds may be invested in securities of a corporation that has been in continuous operations for less than 3 years. No more than 5 percent of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentration in certain types of investments.

NOTE 3 – RETIREMENT PLAN

The Authority contributes to the Local Governmental Noncontributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes.

The Utah Retirement Systems (the Systems) are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor of Utah. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for retirement plans administered by the Utah Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**HOUSING AUTHORITY OF
CARBON COUNTY**
Notes to Financial Statements
March 31, 2006

NOTE 3 – RETIREMENT PLAN - CONTINUED

The authority is legally obligated to contribute to the retirement systems as long as it has employees that meet membership requirements. The contribution rates are the actuarial determined rates. The contribution rates in effect for the year ending March 31, 2006, calculated on the applicable salary for the eligible employees are as follows:

<u>Year Ended March 31,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
2006	N/A	N/A	11.090%

The contributions made by the Authority for the year ended March 31, 2006 were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

The required contributions and amounts received for the year ended March 31, 2006 and the two previous fiscal years are as follows:

<u>Year Ended March 31,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Noncontributory system:				
Local Government Division				
2006	\$ -	\$ -	\$ 28,252	\$ 254,656
2005	\$ -	\$ -	\$ 27,261	\$ 254,055
2004	\$ -	\$ -	\$ 21,393	\$ 258,003
Defined contribution System:				
457 Plan				
2006	\$ 780	\$ -		
2005	\$ 720	\$ -		
2004	\$ 720	\$ -		
401(k) Plan				
2006	\$ 8,154	\$ 8,608		
2005	\$ 8,924	\$ 8,587		
2004	\$ 10,272	\$ 9,243		

NOTE 4 – ECONOMIC DEPENDENCY

A substantial portion of the Authority's revenue comes from U.S. Department of Housing and Urban Development. Programs operated by the Housing Authority depend upon continued funding by the U.S. Government.

**HOUSING AUTHORITY OF
CARBON COUNTY**
Notes to Financial Statements
March 31, 2006

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Authority to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies, which the Authority pays in the event of any loss. The Authority has also purchased a workers' compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the year ended March 31, 2006.

NOTE 6 – SCHEDULE OF CHANGES IN CAPITAL ASSETS

	Balance 03/31/05	Additions	Retirements	Transfers	Balance 03/31/05
Land	\$ 623,370	\$ 9,932	\$ -	\$ -	\$ 633,302
Building	8,221,796	78,625	(173,071)	3,970	8,131,320
Furniture & equipment - dwellings	98,348	-	-	-	98,348
Furniture & equipment - administrative	316,991	98,436	(95,205)	-	320,222
Construction in progress	3,970	-	-	(3,970)	-
Total fixed assets	<u>\$ 9,264,475</u>	<u>\$ 186,993</u>	<u>\$ (268,276)</u>	<u>\$ -</u>	<u>\$ 9,183,192</u>
Accumulated depreciation	<u>(3,048,838)</u>	<u>(177,120)</u>	<u>268,276</u>	<u>-</u>	<u>(2,957,682)</u>
Net fixed assets	<u>\$ 6,215,637</u>				<u>\$ 6,225,510</u>

NOTE 7 – LONG-TERM LIABILITIES

Long term debt consists of a mortgage note payable to the U.S. Department of Agriculture Rural Development. The mortgage note payable to USDA-Rural Development (RD) on a Multi-Family project in the amount of \$434,661 is collateralized by the land and building with a carrying value of \$574,660 and bears interest at 11.875% per annum. This contract is subject to an interest credit agreement with RD, which reduces the effective rate to 1% per annum. During the year ended March 31, 2006 \$48,862 was subsidized by the credit agreement. The mortgage note is due March, 2035.

Future Maturities of long-term debt are as follows:

Year Ending March 31,	Principal	Interest
2007	\$ 13,255	\$ 4,286
2008	13,389	4,153
2009	13,524	4,018
2010	13,660	3,882
2011	13,797	3,745
2012-2035	367,036	44,937
Total future maturities	<u>\$ 434,661</u>	<u>\$ 65,021</u>

**HOUSING AUTHORITY OF
CARBON COUNTY**
Notes to Financial Statements
March 31, 2006

NOTE 8 – INVENTORY

Inventory consists of expendable supplies held for maintenance and repairs. Inventory supplies are stated at cost on a first-in first-out basis, and recorded as expenditures at the time of individual inventory items are used.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Executive Director of the Authority is also the Executive Director of Coal Country Housing and Development Corporation (Coal Country), a non-profit entity. The Authority performs property management responsibilities on behalf of Coal Country. During the year ended March 31, 2006 the Authority received payments and reimbursements from Coal Country for the following expenditures:

Management Fees	\$ 31,981
Administrative expenses	7,428
Maintenance Expenses	<u>15,438</u>
Total	<u>\$ 54,847</u>

NOTE 10 – INTERPROGRAM RECEIVABLES AND PAYABLES

The Authority has interprogram receivables and payables totaling \$52,402, which have been eliminated on the basic financial statements.

Supplemental Information

**HOUSING AUTHORITY OF
CARBON COUNTY
Combining Statement of Net Assets
March 31, 2006**

Schedule 1

FDS Line Item		Public Housing	Section 8 Rental Vouchers	Capital Fund	Rural Rental Assistance Payments	Business Activities	Combined Balance
#	Account Description	14,850	14,871	14,872	10,415		
	ASSETS						
	Current Assets						
	Cash:						
111	Cash - Unrestricted	\$ 62,863	\$ 102,359	\$ -	\$ 141,724	\$ 60,481	\$ 367,427
113	Cash - Other Restricted	17,510	-	-	2,176	-	19,686
100	Total Cash	<u>80,373</u>	<u>102,359</u>	<u>-</u>	<u>143,900</u>	<u>60,481</u>	<u>387,113</u>
	Receivables:						
126	Accounts Receivable - Tenants - Dwelling Rents	10,068	-	-	-	-	10,068
120	Total Receivables, net of allowances for doubtful accounts	<u>10,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,068</u>
	Current Investments:						
142	Prepaid Expenses and Other Assets	28,458	-	-	-	-	28,458
143	Inventories	38,519	-	-	-	-	38,519
144	Interprogram Due From	52,402	-	-	-	-	52,402 *
150	Total Current Assets	<u>209,820</u>	<u>102,359</u>	<u>-</u>	<u>143,900</u>	<u>60,481</u>	<u>516,560</u>
	Noncurrent Assets						
	Fixed Assets:						
161	Land	613,989	-	-	19,313	-	633,302
162	Buildings	7,423,626	-	-	707,694	-	8,131,320
163	Furniture, Equipment & Machinery - Dwellings	92,038	-	-	6,310	-	98,348
164	Furniture, Equipment & Machinery - Administration	287,575	28,747	-	3,900	-	320,222
166	Accumulated Depreciation	(2,761,096)	(28,747)	-	(167,839)	-	(2,957,682)
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>5,656,132</u>	<u>-</u>	<u>-</u>	<u>569,378</u>	<u>-</u>	<u>6,225,510</u>
	Other Non-Current Assets:						
174	Other Assets	16,700	-	-	-	-	16,700
180	Total Non-Current Assets	<u>5,672,832</u>	<u>-</u>	<u>-</u>	<u>569,378</u>	<u>-</u>	<u>6,242,210</u>
190	TOTAL ASSETS	<u>\$ 5,882,652</u>	<u>\$ 102,359</u>	<u>\$ -</u>	<u>\$ 713,278</u>	<u>\$ 60,481</u>	<u>\$ 6,758,770</u>
	LIABILITIES AND NET ASSETS						
	LIABILITIES						
	Current Liabilities						
312	Accounts Payable < = 90 Days	\$ 11,449	\$ -	\$ -	\$ 3,737	\$ -	\$ 15,186
321	Accrued Wage/Payroll Taxes Payable	7,823	-	-	-	-	7,823
322	Accrued Compensated Absences	6,587	3,843	-	-	549	10,979
341	Tenant Security Deposits	17,665	-	-	2,582	-	20,247
342	Deferred Revenues	-	55,041	-	-	-	55,041
347	Interprogram Due To	-	52,402	-	-	-	52,402 *
348	Loan Liabilities - Current	-	-	-	13,255	-	13,255
310	Total Current Liabilities	<u>43,524</u>	<u>111,286</u>	<u>-</u>	<u>19,574</u>	<u>549</u>	<u>174,933</u>
	Non-Current Liabilities						
355	Loan Liability - non current	-	-	-	421,406	-	421,406
350	Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,406</u>	<u>-</u>	<u>421,406</u>
300	TOTAL LIABILITIES	<u>43,524</u>	<u>111,286</u>	<u>-</u>	<u>440,980</u>	<u>549</u>	<u>596,339</u>
	NET ASSETS:						
508.1	Invested in Capital Assets, Net of Related Debt	5,656,132	-	-	134,717	-	5,790,849
512.1	Unrestricted Net Assets	182,996	(8,927)	-	137,581	59,932	371,582
513	TOTAL NET ASSETS	<u>5,839,128</u>	<u>(8,927)</u>	<u>-</u>	<u>272,298</u>	<u>59,932</u>	<u>6,162,431</u>
600	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,882,652</u>	<u>\$ 102,359</u>	<u>\$ -</u>	<u>\$ 713,278</u>	<u>\$ 60,481</u>	<u>\$ 6,758,770</u>

* Not included on the combined statement of net assets.

**HOUSING AUTHORITY OF
CARBON COUNTY**
**Combining Statement of Revenues, Expenditures, and
Changes in Net Assets
For the Year Ended March 31, 2006**

Schedule 2

FDS Line Item #	Account Description	Public Housing 14.850	Section 8 Rental Vouchers 14.871	Capital Fund 14.872	Rural Rental Assistance Payments 10.415	Business Activities	Combined Balance
	REVENUE						
	Tenant Revenue:						
703	Net Tenant Rental Revenue	\$ 237,690	\$ -	\$ -	\$ 49,534	\$ -	\$ 287,224
704	Tenant Revenue - Other	569	-	-	-	-	569
705	Total Tenant Revenue	238,259	-	-	49,534	-	287,793
706	HUD PHA Grants	235,667	965,950	-	-	-	1,201,617
706.1	Capital Grants	-	-	254,252	-	-	254,252
708	Other Governmental Grants	-	-	-	80,596	-	80,596
711	Investment Income - Unrestricted	-	-	-	2,236	1,078	3,314
715	Other Revenue	25,150	-	-	-	54,847	79,997
700	TOTAL REVENUE	499,076	965,950	254,252	132,366	55,925	1,907,569
	EXPENSES						
	Administrative:						
911	Administrative Salaries	58,414	93,879	11,860	9,560	4,335	178,048
912	Auditing Fees	9,359	2,282	-	-	-	11,641
915	Employee Benefit Contributions - Administrative	61,413	33,774	3,378	11,716	-	110,281
916	Other Operating - Administrative	55,732	12,818	-	13,366	3,093	85,009
	Tenant Services:						
924	Tenant Services - Other	2,293	-	-	250	-	2,543
	Utilities:						
931	Water	25,885	4,800	-	9,867	-	40,552
932	Electricity	17,569	3,500	-	17,070	-	38,139
933	Gas	16,989	3,205	-	-	-	20,194
938	Other Utilities Expense	29,529	3,600	-	2,392	-	35,521
	Ordinary Maintenance & Operation:						
941	Ordinary Maintenance & Operation - Labor	79,048	3,402	-	1,449	-	83,899
942	Ordinary Maintenance & Operation - Materials & Other	61,391	-	-	9,162	1,398	71,951
943	Ordinary Maintenance & Operation - Contract Costs	25,040	-	-	6,616	860	32,516
945	Employee Benefit Contributions - Ordinary Maintenance	79,961	1,778	-	3,305	-	85,044
	General Expenses:						
961	Insurance Premiums	56,005	2,100	-	919	-	59,024
962	Other General Expenses	11,556	3,100	-	11,883	13,180	39,719
967	Interest Expense	5	-	-	53,355	-	53,360
969	TOTAL OPERATING EXPENSES	590,189	168,238	15,238	150,910	22,866	947,441
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(91,113)	797,712	239,014	(18,544)	33,059	960,128
	Other Expenses:						
973	Housing Assistance Payments	-	802,357	-	-	-	802,357
974	Depreciation Expense	167,230	1,198	-	8,692	-	177,120
900	TOTAL EXPENSES	757,419	971,793	15,238	159,602	22,866	1,926,918
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(258,343)	(5,843)	239,014	(27,236)	33,059	(19,349)
1103	Net Assets at Beginning of Year	5,854,487	(3,084)	3,970	299,534	26,873	6,181,780
1104	Transfers and Adjustments	242,984	-	(242,984)	-	-	-
	Net Assets at End of Year	\$ 5,839,128	\$ (8,927)	\$ -	\$ 272,298	\$ 59,932	\$ 6,162,431

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Housing Authority of Carbon County
Price, Utah

We have audited the basic financial statements of the Housing Authority of Carbon County (the Authority) as of and for the year ended March 31, 2006, and have issued our report thereon dated July 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of the management in the financial statements. Reportable conditions are described in the accompanying schedule of finding and questioned costs as items 06-1 and 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

To the Board of Commissioners
Housing Authority of Carbon County

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baird, Rasmussen & Associates, PC

Baird, Rasmussen & Associates, P.C.
Bountiful, Utah
July 17, 2006

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Housing Authority of Carbon County
Price, Utah

Compliance

We have audited the compliance of Housing Authority of Carbon County (the Authority), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

As described in item 06-1 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the recording of funds within the accounting system applicable to its Public Housing Capital Funds agreement. As described in item 06-2 in the accompanying schedule of findings and questioned costs, the Authority did not comply with the requirements regarding the allocation of overhead expenses within the accounting system applicable to its Section 8 Housing Choice Voucher agreement. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to those programs.

In our opinion, except for the items of noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In

To the Board of Commissioners
Housing Authority of Carbon County

planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, of the reportable conditions described above, we consider item 06-1 to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baird, Rasmussen & Associates, P.C.

Baird, Rasmussen & Associates, P.C.
Bountiful, Utah
July 17, 2006

**HOUSING AUTHORITY OF
CARBON COUNTY**
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2006

Federal Assistance Programs Agency/Program Grant Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing & Urban Development (HUD)		
Section 8 Housing	14.871	\$ 965,950
Public Housing Capital Fund	14.872	\$ 254,252
Low-Rent Public Housing	14.850	\$ 235,667
U.S. Department of Agriculture		
Rural Rental Housing Loans	10.415	\$ 434,661
Rural Rental Housing Loans – Interest Subsidy	10.415	\$ 48,862
Rural Rental Assistance Payments	10.427	\$ 31,734
Total expenditures of federal awards		<u>\$ 1,971,126</u>

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of Carbon County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**HOUSING AUTHORITY OF
CARBON COUNTY**
Status of Findings and Questioned Costs
For the year ended March 31, 2006

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Non compliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
10.415	Rural Rental Housing Loans

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**HOUSING AUTHORITY OF
CARBON COUNTY**
Schedule of Findings and Questioned Costs
March 31, 2006

Finding 06-01 Materially misstated financial information

Condition: Prior to performing our audit procedures, the Authority's accounting records and financial statements were materially misstated.

Criteria: A system of internal control and financial reporting needs to be in place which will facilitate the proper and accurate recording of the Authority's financial activity. In addition, management should understand and periodically review the Authority's financial reports. Management should analyze and evaluate the accuracy of the accounting information.

Cause: The accounting personnel did not have adequate training, knowledge and experience to properly record the accounting activity.

Effect: Account balances for cash, accounts receivable, fixed assets, accounts payable, net assets, revenue and expenses were materially misstated. Multiple audit adjustments were required to bring the accounting records in compliance with Generally Accepted Accounting Principles. Management and Board of Directors were not supplied with accurate reports. The system of internal controls is not adequate enough to detect potential fraud.

Recommendation: The accounting personnel need to be adequately trained and supervised. Additionally, the Authority's system of internal controls should require periodic management review of the Authority's financial statements and accounting activity. Accurate financial data needs to be provided to the Board of Directors in their monthly meeting.

Finding 06-02 Failure to establish and follow a cost allocation plan throughout the year

Condition: The Authority has no system to consistently allocate overhead and administrative expenses to the various programs administered.

Criteria: Entities receiving government funding should adopt a cost allocation plan, for overhead and shared expenses, and adhere to that plan.

Cause: Cost allocation was preformed previously by an outside accountant, whose services were terminated. After those services were terminated, management failed to implement and follow an appropriate cost allocation plan.

Effect: The Authority allocated overhead expenses against programs with little or no basis to the expenses actually incurred by those specific funds.

Recommendation: The Authority should adopt a cost allocation plan to records overhead and shared expenses to the appropriate programs. Management should review the accounting reports to ensure that the cost allocation plan is implemented and followed by the accounting personnel.

**HOUSING AUTHORITY OF
CARBON COUNTY**
Summary Schedule of Prior Audit Findings
March 31, 2006

Finding 05-01 Failure to record capital funds properly within the accounting system

Condition: The Authority recorded capital funds as expenses instead of recording the particular funds as fixed assets and capitalizing those funds.

Criteria: Entities receiving capital funds should capitalize the costs that are associated with capital improvements.

Effect: The Authority made adjustments at year end that were necessary to accurately report fixed assets, accumulated depreciation, and operating expenses.

Cause: The Authority did not record fixed assets, accumulated depreciation, and operating expenses accurately or completely.

Recommendation: The Authority needs to adhere to the contract for the capital fund program. In addition, the Authority's internal controls should include a provision for the timely review, inspection, and monitoring of accounting policies and procedures by persons independent of those who record transactions.

Status: This finding is considered outstanding.

Finding 05-02 Management oversight of the accounting system

Condition: Management of the Authority did not adequately oversee the accounting system for the Authority.

Criteria: Management has the responsibility to oversee the accounting system to make sure accounts are recorded in an accurate and timely manner.

Effect: The accounting was not properly maintained for the FY2005.

Cause: Management did not maintain adequate oversight of the accounting system causing the financial statements to not be reported accurately and in a timely manner.

Recommendation: The management of the Authority should review the accounting system on a monthly basis to make sure various accounts are being recorded correctly.

Status: This finding is considered outstanding.

**HOUSING AUTHORITY OF
CARBON COUNTY**
Summary Schedule of Prior Audit Findings – continued
March 31, 2006

Finding 05-03 Lack of adequate training and supervision of accounting staff

Condition: The accounting staff of the Authority is not properly trained nor has the proper supervision to create accurate and complete books in a timely manner.

Criteria: The Authority needs to provide the accounting staff with proper training to record the accounting for the Authority.

Effect: The Authority made adjustments at year end that were necessary to accurately report assets, liabilities, equity, revenues, and expenses.

Cause: Accounting staff for the Authority did not have proper training in order to complete the accounting in an accurate and timely manner and was not properly supervised to ensure accurate and timely accounting.

Recommendation: The Authority's accounting personnel needs to receive proper training in conducting the accounting and have proper supervision to ensure the accounting is completed in an accurate and timely manner.

Status: This finding is considered outstanding.

Finding 05-04 Failure to follow generally accepted accounting principles throughout the year

Condition: The Authority was required to make several journal entries at year end as a result of the financial statement audit to comply with generally accepted accounting principles regarding the proper recording of assets, liabilities, revenues, and expenses. The Authority's policies and procedures do not provide for internal controls sufficient to detect errors in a timely manner.

Criteria: Entities receiving government funding should follow generally accepted accounting principles throughout the year.

Effect: The Authority made adjustments at year end that were needed to accurately report prepaid expenses, fixed assets, accounts payable, tenant rent revenue, and operating expenses.

Cause: The authority did not record prepaid expenses, fixed assets, accounts payable, tenant rent revenue, or operating expenses in a timely manner.

Recommendation: The Authority's personnel must adhere to the basic concepts of generally accepted accounting principles and apply those principles to their financial record keeping. In addition, the Authority's internal controls should include a provision for the timely review, inspection, and monitoring of accounting policies and procedures by persons independent of those who record transactions.

Status: This finding is considered outstanding.

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

Auditor's Report on Utah State Legal Compliance

To the Board of Commissioners
Housing Authority of Carbon County
Price, Utah

We have audited the basic financial statements of the Housing Authority of Carbon County (the Authority), for the year ended March 31, 2006, and have issued our report thereon dated July 17, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority did not receive any major or non-major State grants during the year ended March 31, 2006.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

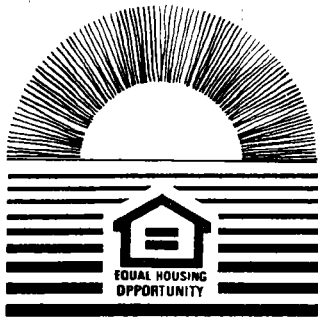
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended March 31, 2006.

Baird, Rasmussen & Associates, PC

Baird, Rasmussen & Associates, P.C.
Bountiful, Utah
July 17, 2006



HOUSING AUTHORITY of Carbon County

251 S. 1600 E., #2647
Price, Utah 84501
(435) 637-5170
Fax (435) 637-5178

August 17, 2006

Baird, Rasmussen & Associates
596 West 750 South Suite # 210
Bountiful, Utah 84010

Dear Sirs:

The Housing Authority of Carbon County Board through their Director wishes to extend to you a sincere thank you for your prompt and seemingly accurate audit for the last fiscal year. We agree with your firm that the Housing Authority complied in all material respects with the general compliance requirements identified in our audit for the year ending March 31, 2006.

In reply to audit finding 01-06

Finding: Prior to performing our audit procedures, the Authorities' accounting records and financial statements were materially misstated.

Causes: The previously hired fee accountant dropped out of site and dropped our records in mid year without reason or plan to help us. The previously hired accounting firm was extremely late (February 2006) finishing the 2005 audit and did not provide in a timely manner adjustments to reconcile the next year's worth of financial statements, all contributing to the poor financial statements that were available at audit.

Action: Hopefully, this finding will be rectified with the addition of a local CPA firm to perform fee accounting work for the Housing Authority for half of last year and all of the coming year. It will also be helpful to note that the accounting staff (of one) at the Housing Authority has completed three major HUD Classes to become more acquainted with HUD Procedures. HAOCC Staff and Board will implement an agenda item of financial review on every Board Agenda in the future and will ensure that the Board takes a good look at all monthly reports from the CPA.

In reply to audit finding 02-06

Finding: The Authority has no system to consistently allocate overhead and administrative expenses to the various programs administered.

Cause: It was recorded in management audit letters for the past four years that the Housing Authority establishes management fee agreements with each of the programs that they administer or manage.

Public Housing and Section 8 Programs are managed in a joint venture. We, as a Board, do not set the management or administration fee and accept the amount pre-decided on by HUD as the amount of money on the contract to pay administrative expenses. Our best guess on salaries could be done away with if HUD should decide to cut us administration fees. Administration and Accounting know monthly what we are able to spend and allocate to continue to operate as reasonably as possible with the amount of money allocated. Section 8 money and Public Housing money are in separate banking and checking accounts for strict tracking and no co-mingling.

The USDA Program has a budget of its own and all program expenses are billed directly to this program and paid for by exact bill. An administration fee is allocated and billed at the first of each month. There is no need for office supplies or sundry allocation since the program follows the budget and does not ignore the allocation per budget line. The USDA money is not co-mingled with PH or Section 8 monies, but is in its own bank account with separate checking records for verification of exact expense.

The Property Management has management agreements with its only client, Coal Country Housing, and has agreed to manage for a set fee each month. This money is not co-mingled with PH or Section 8 but is in separate bank accounts with separate checking records.

Action: A Cost Allocation Plan could be adopted if the previous contracts and budgets are analyzed. If after looking at the various amounts of management and administrative fees already being collected, it is derived that we have failed to allocate without regards to specific funds, the Housing Authority will consult yet another CPA as to how this cost allocation plan could be adopted by the Board. This will be completed by the end of the fiscal year, April 1, 2007.

Once again, thank you very much for your prompt attention to details.



Lynda C. Varner
Executive Director

CC: Board of Commissioners